

**DEPARTMENT OF ADMINISTRATION**  
**STANDARD FINANCIAL REVIEW CONTRACT**

THIS CONTRACT is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_, by and between

\_\_\_\_\_  
(Certified or Licensed Public Accountant)

hereinafter referred to as the "**Contractor**",

\_\_\_\_\_  
(Governmental Entity)

hereinafter referred to as the "**Entity**", and the **Montana Department of Administration, Local Government Services Bureau**, hereinafter referred to as the "**State**", acting under the authority of Title 2, Chapter 7, Part 5, of the Montana Code Annotated. It is hereby agreed that:

1. **This contract is not effective with respect to any party until it is approved and signed by the State. The Contractor may not begin any financial review work until the State gives this approval.** If a Contractor begins work prior to the approval of the contract by the State and the State subsequently does not approve the contract, the Contractor is not entitled to receive any compensation for the work performed.
2. The financial review period covered by this contract begins \_\_\_\_\_, 20\_\_\_\_\_, and ends \_\_\_\_\_, 20\_\_\_\_\_.
  - a. In consideration of the faithful performance of this contract, the Entity will pay the Contractor for the financial review work on the basis of time and necessary out-of-pocket expenses, which will not exceed:  
  
\$\_\_\_\_\_ for financial review covering \_\_\_\_/\_\_\_\_/\_\_\_\_ to \_\_\_\_/\_\_\_\_/\_\_\_\_  
  
The fees are set out in detail in Appendix A, which is attached hereto and by this reference made a part hereof.
  - b. A retention of twenty-five percent (25%) of the fee for the financial review may be made by the Entity until the final report has been delivered by the Contractor, at which time the Entity will release the retainage.
3. The Contractor will conduct a financial review of the Entity.
  - a. The financial review will be made in accordance with the standards as established by the American Institute of Certified Public Accountants in its Statements on Standards for Attestation Engagements, AT Section 201, "Agreed-Upon Procedures Engagements."
  - b. The Contractor will apply the procedures specified in Appendix B, which is attached hereto and by this reference made a part hereof.

3. – continued:

- c. The financial review of any school district will also include, where applicable, a financial review of the extracurricular fund for pupil functions.
  - d. The Contractor will immediately notify the Entity and the State in writing of any material irregularities it discovers. If the Entity is a school district or special education cooperative, the Contractor will also notify the Office of Public Instruction.
- 4. The Entity will prepare its annual financial report or a trial balance of accounts no later than the date specified in Appendix A.
- 5. The Contractor will begin the financial review field work, and will deliver the financial review report to the Entity and the State, in accordance with the schedule established in Appendix A. If the Contractor cannot deliver the financial review report to the entity and the State on the date specified in the Appendix, the Contractor will notify the Entity and the State in writing of that fact, and the reason(s) thereof. The Contractor will then request in writing an extension from the State. The State's approval or denial of this request will also be in writing.
- 6. All financial reviews must be completed and the reports issued within one year from the close of the fiscal year covered by the audit.
- 7. The Contractor will render a single, written report for the Entity reviewed, that will include the following:
  - a. An accountant's report on the results of applying agreed-upon procedures in accordance with AT Section 201 as established by the American Institute of Certified Public Accountants.
  - b. Schedules as specified in Appendix B, which is attached hereto and by this reference made a part hereof.
- 8. Before submitting the final financial review report, the Contractor will hold an exit review conference in which the financial review results are discussed with appropriate Entity officials and employees. The Contractor must ensure that all members of the governing body and key members of management are notified of this exit conference. The Contractor further agrees that prior to submitting the final report, it will not discuss the financial review findings with anyone other than the Entity or the State. However, once the Contractor delivers the final financial review report, the report is then deemed to be a public record.
- 9. The Contractor and Entity will file copies of the financial review report as specified below.
  - a. The Contractor will provide the Entity with the number of copies of the financial review report specified in Appendix A and the cost of those copies is included in the total price for the engagement as set out in paragraph 2.a., above, and in Appendix A.
  - b. Upon request by the Entity, the Contractor will provide additional copies of the financial review report at a price per copy agreed upon by the Entity and Contractor.

9. – continued:

- c. The Contractor will provide the State with two copies of each financial review report at no charge. **These copies will be sent to the State at the same time that the Contractor delivers the final financial review report to the Entity.** A letter of transmittal will accompany the State's copies that will advise the State as to the date of the exit conference, the date the final report was delivered to the Entity, the date of the financial review report, the actual number of hours spent by the Contractor in the conduct of the financial review, and the total fee billed the Entity.
  - d. If the Entity is a school district or associated cooperative, the Contractor will provide copies of the financial review report to the Office of Public Instruction and the county superintendent of schools.
  - e. If the Entity is a city or town fire department relief association disability and pension fund, the Contractor will provide one copy of the financial review report to the city or town clerk.
10. Within 30 days after receiving the financial review report, the Entity will notify the State in writing as to what action it plans to take to correct any deficiencies or implement any recommendations identified or contained in the financial review report. If the Entity is a school district or special education cooperative, the Entity will send a copy of this notification to the Office of Public Instruction.
11. The Contractor certifies that, as required by generally accepted attestation standards, it and its principals and employees are independent in all matters with respect to this engagement. The Contractor will neither arrange for, nor accept, other work with the Entity that could in any way impair the Contractor's independence in violation of professional standards.
12. The Contractor will be the prime contractor and shall be responsible, in total, for all work of any subcontractors. The Contractor will obtain the **written approval of the Entity and the State prior** to engaging correspondent Contractors, consultants, or subcontractors to provide services in connection with this financial review. **Any Contractors subcontracted to perform financial review work must be on the Roster of Independent Auditors authorized to conduct audits and financial reviews of Montana local governments that is maintained by the Local Government Services Bureau.** The Contractor shall be responsible to the Entity and the State for the acts and omissions of all correspondent Contractors, consultants, subcontractors, or agents and of persons directly or indirectly employed by such correspondent Contractors, consultants, subcontractors or agents, and for the acts and omissions of persons employed directly by the Contractor. Further, nothing contained within this Contract shall create any contractual relationship between any correspondent Contractor, consultant, or subcontractor and the State.
13. The State may participate in all entrance and exit conferences between the Entity and Contractor, as well as all major conferences held in conjunction with the financial review of the Entity.
14. The Contractor will give the State and, when required by law, the Montana Legislative Audit Division, access to the Contractor's work programs, supporting working papers, time records, and all other documents relating to the financial review. Access to these documents will be provided at the State's offices in Helena, Montana. Access to working papers includes the right of the State to obtain copies of working papers, as is reasonable and necessary. The Contractor also agrees to make the work programs and supporting working papers available to the State for use by the State or other public accounting firms as directed by the State in future financial reviews or audits of the Entity. The Contractor will retain the financial review report, work programs, and supporting working papers for a minimum of five years from the date of the financial review report, unless the State notifies the contractor to extend the retention period.

15. As provided by ARM 2.4.410(10), the State may review the financial review report submitted by the Contractor. If the State determines that reporting requirements have not been met, it will notify the Entity and the Contractor of the significant issues of noncompliance. The Contractor shall correct the identified deficiencies within 60 days of notification.
16. The Entity and the State recognize that the Contractor is an independent public accountant and neither the Entity nor the State will request or require the Contractor to surrender its "independence," as this term is professionally understood and used concerning public accountants. It is understood by the parties to this contract that the Contractor is an independent contractor and that neither its principals nor its employees are employees of the State or Entity for purposes of tax, retirement system, or social security (FICA) withholding.
17. The Contractor certifies that it carries Workers' Compensation for its employees and that it has either elected Workers' Compensation or has an approved Independent Contractor's Exemption covering the Contract while performing work under this contract.(Montana Code Annotated, Title 39, Chapter 71) Neither the Contractor nor its employees are employees of the State for the purposes of this paragraph.
18. The Contractor agrees to protect, defend, and save the State, its elected and appointed officials, agents, and employees, while acting within the scope of their duties as such, harmless from and against all claims, demands, and causes of action of any kind or character, including the cost of defense thereof, arising in favor of the Contractor's employees or third parties on account of bodily or personal injuries, death, or damage to property arising out of services performed or omissions of services or in any way resulting from the acts or omission of the Contractor and/or its agents, employees, representatives, assigns, subcontractors, except the sole negligence of the State, under this agreement.
19. The Contractor must, in performance of work under this contract, fully comply with all applicable federal, state, or local laws, rules and regulations, including the Montana Human Rights Act, the Civil Rights Act of 1964, the Age Discrimination Act of 1975, the Americans with Disabilities Act of 1990, and Section 504 of the Rehabilitation Act of 1973. Any subletting or subcontracting by the Contractor subjects subcontractors to the same provisions. In accordance with Section 49-3-207, MCA, the Contractor agrees that the hiring of persons to perform the contract will be made on the basis of merit and qualifications and there will be no discrimination based upon race, color, religion, creed, political ideas, sex, age marital status, physical or mental disability, or national origin by the persons performing the Contract.
20. The Entity will provide the Contractor with reasonable space in which to conduct the financial review, and respond promptly to requests for information as well as all necessary books and records. Support for clerical, equipment and reproduction services shall be agreed upon by the Entity and the Contractor as specified in Appendix A.
21. Prior to the commencement of the financial review, either the Contractor or the Entity, with the consent of the State, or the State, may cancel this contract by providing written notice to the other parties. The contract may be canceled under this paragraph for cause. Cause includes, but is not limited to, failure of any party to comply with the terms of this contract or with any Administrative Rule adopted by the State under the authority of Title 2, Chapter 7, Part 5, of the Montana Code Annotated.

In addition, if both the Contractor and the Entity mutually agree to cancel this contract prior to the commencement of the audit, regardless of whether there is cause, the State will consent to cancellation of the contract upon written notification by the Contractor and the Entity of their agreement to cancel this contract.

22. After the financial review has commenced, but before the financial review report has been issued, either the Contractor or the Entity, with the consent of the State, or the State, may cancel this contract for failure of any party to comply with the terms of this contract or with any Administrative Rule adopted by the State under the authority of Title 2, Chapter 7, Part 5, of the Montana Code Annotated, or for other cause. If the contract is canceled due to the failure of the Contractor to comply, the Contractor is not entitled to the fee set out in this contract. If the contract is canceled due to the failure of the Entity to comply, the Entity will pay the Contractor a pro rata portion of the fee set out in this contract, based on the percentage of work completed at the time of cancellation. In addition, if both the Contractor and the Entity mutually agree to cancel this contract without establishing cause on the part of either party, the State will consent to cancellation of the contract upon written notification by the Contractor and the Entity of their agreement to cancel this contract.
23. The Contractor shall not assign, transfer or subcontract any portion of the contract without the express written consent of the Entity and the State.
24. By signing this contract, the Contractor certifies that it is in compliance with the continuing professional education requirements and the external quality control review requirements as set out in Government Auditing Standards, as established by the Comptroller General of the United States. The State may require the Contractor to provide evidence that it has met the above requirements.
25. This Contract is governed by the laws of Montana. The parties agree that any litigation concerning this Contract in which the State is named as a party must be brought in the First Judicial District in and for the County of Lewis and Clark, State of Montana, and each party shall pay its own costs and attorney fees. The parties also agree that any litigation concerning this Contract in which the State is not named as a party must be brought in the Judicial District in and for the County in which the Entity is located, and each party shall pay its own costs and attorney fees.
26. This contract and the attached Appendix contain the entire understanding and agreement of the parties. No modification or amendment hereto is valid unless it is reduced to writing, signed by the parties, and made a part of this contract.

IN WITNESS WHEREOF, Contractor, Entity, and State have executed this Standard Financial Review Contract on the date first above written:

**Certified or Licensed Public Accountant**

\_\_\_\_\_  
Firm Name

By: \_\_\_\_\_  
Authorized Representative

Date: \_\_\_\_\_

**Governmental Entity**

\_\_\_\_\_  
Entity Name

By: \_\_\_\_\_  
Authorized Representative

Date: \_\_\_\_\_

**Montana Department of Administration  
Local Government Services Bureau**

By: \_\_\_\_\_  
Approved By

Date: \_\_\_\_\_

## APPENDIX A

### Financial Review Under This Contract

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**GOVERNMENTAL ENTITY (ENTITY):** \_\_\_\_\_

\_\_\_\_\_  
Telephone: \_\_\_\_\_ Address: \_\_\_\_\_  
(Street Address or P.O. Box)  
\_\_\_\_\_, MT 59\_\_\_\_\_  
(City/Town) (Zip Code)  
\_\_\_\_\_  
Contact Person(s)

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**PUBLIC ACCOUNTANT/ACCOUNTING  
FIRM (CONTRACTOR) :** \_\_\_\_\_

\_\_\_\_\_  
Telephone: \_\_\_\_\_ Address: \_\_\_\_\_  
(Street Address or P.O. Box)  
\_\_\_\_\_, MT 59\_\_\_\_\_  
(City/Town) (Zip Code)  
\_\_\_\_\_  
Contact Person(s)

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**1. Financial Review Period and Dates of Engagement:**

A. This financial review will cover the fiscal year ending

\_\_\_\_\_, \_\_\_\_\_  
(Month & Day) (Year)

B. Date to commence financial review work: \_\_\_\_\_

C. Date to submit final financial review report  
to Entity and State: \_\_\_\_\_

**2. Time and Price for Engagement:**

FY Ending \_\_\_\_\_, 20\_\_\_\_\_

A. Estimated total hours - \_\_\_\_\_

B. Price for professional personnel \$ \_\_\_\_\_

Price for Travel \_\_\_\_\_

Price for typing, clerical  
and report preparation \_\_\_\_\_

Total price for this  
engagement \$ \_\_\_\_\_

**APPENDIX A – continued:**

3. Date Annual Financial Report or a trial balance will be available:  
\_\_\_\_\_
4. Number of copies of financial review report Contractor will provide to Entity:  
\_\_\_\_\_
5. The Entity will provide clerical, equipment, and photocopying or reproduction services to the Contractor as follows:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

IN WITNESS WHEREOF:

**Certified or Licensed Public Accountant**

\_\_\_\_\_  
Firm Name

By: \_\_\_\_\_  
Authorized Representative

Date: \_\_\_\_\_

**Governmental Entity**

\_\_\_\_\_  
Entity Name

By: \_\_\_\_\_  
Authorized Representative

Date: \_\_\_\_\_

**Montana Department of Administration  
Local Government Services Bureau**

By: \_\_\_\_\_  
Approved By

Date: \_\_\_\_\_

## **APPENDIX B**

### **Financial Review of a School District Under This Contract**

1. In conducting a financial review of a school district under this standard financial review contract, the Contractor will apply the following procedures:
  - a. Reconcile the District's cash fund balances as reported on the Trustees Financial Summary with the records of the County Treasurer, or bank accounts, if applicable.
  - b. Examine the July disbursements journals and expenditures made in July to determine if payables are recorded at June 30 of the fiscal year being reviewed.
  - c. Determine whether the District maintained records of capital assets and had documentation to support the records.
  - d. Compare budgeted property tax revenues to actual property tax revenues for each budgeted fund; note any variances in excess of 5% or \$500, whichever is greater; and determine the reasons for the variances.
  - e. Reconcile total District revenues and expenditures to total cash receipts and disbursements for the district as reported by the County Treasurer.
  - f. Observe whether:
    - The District maintains accounting records, including a disbursement ledger.
    - The expenditures, including payroll, are supported by appropriate documentation and coded correctly.
    - The District maintains minutes of School Board meetings, and whether they contain detailed statements of expenditures as required by Section 20-3-323, MCA.
    - The District maintains pupil attendance records.
    - The District reconciles monthly with the reports of the county treasurer.
    - The District maintains payroll records, including a payroll register for each employee.
    - The District reconciles its federal and state payroll reports to the annual wage and tax statements submitted to the Social Security Administration.
    - The District reconciles the total cash in the Miscellaneous Programs fund with the individual projects within the fund.
    - The District reconciles the student activity fund individual accounts with the total cash in the Student Extracurricular Fund.
  - g. Reconcile the enrollment as reported on the Fall and Spring enrollment reports to the school district's enrollment records.
  - h. Verify that total expenditures for each budgeted fund did not exceed the budgeted expenditures for the fund.



**Financial Review of a School District Under This Contract – continued:**

2. The financial review report for a school district will contain the following schedules:
  - Schedule A - This schedule will present the District's assets, liabilities and fund equity, by fund, as of June 30 of the fiscal year being reviewed.
  - Schedule B - This schedule will present the District's beginning fund equity, the total revenues and other financing sources, the total expenditures and other financing uses, prior period adjustments, transfers, and the ending fund equity for each fund for the fiscal year being reviewed.
  - Schedule C - This schedule will present the District's enrollment figures as reported on the Fall and Spring enrollment reports and per the District's enrollment records for the year being reviewed.
  - Schedule D - This schedule will present findings and recommendations resulting from performing the agreed-upon procedures specified in this Appendix.

## **APPENDIX B**

### **Financial Review of a Special Education Cooperative Under This Contract**

1. In conducting a financial review of a special education cooperative under this standard financial review contract, the Contractor will apply the following procedures:
  - a. Reconcile the Cooperative's cash fund balances as reported on the Trustees Financial Summary with the records of the County Treasurer, or bank accounts, if applicable.
  - b. Examine the July disbursements journals and expenditures made in July to determine if payables are recorded at June 30 of the fiscal year being reviewed.
  - c. Determine whether the Cooperative maintained records of capital assets and had documentation to support the records.
  - d. Reconcile total Cooperative revenues and expenditures to total cash receipts and disbursements for the Cooperative as reported by the County Treasurer.
  - e. Observe whether:
    - The Cooperative maintains accounting records, including a disbursement ledger.
    - The expenditures, including payroll, are supported by appropriate documentation and coded correctly.
    - The Cooperative maintains minutes of governing board meetings, and whether they contain detailed statements of expenditures as required by Section 20-3-323, MCA.
    - The Cooperative reconciles monthly with the reports of the county treasurer.
    - The Cooperative maintains payroll records, including a payroll register for each employee.
    - The Cooperative reconciles its federal and state payroll reports to the annual wage and tax statements submitted to the Social Security Administration.
    - The Cooperative reconciles the total cash in the Miscellaneous Programs fund with the individual projects within the fund.
  - f. Verify that total expenditures for each budgeted fund did not exceed the budgeted expenditures for the fund.
2. The financial review report for a special education cooperative will contain the following schedules:

Schedule A -	This schedule will present the Cooperative's assets, liabilities and fund equity, by fund, as of June 30 of the fiscal year being reviewed.
Schedule B -	This schedule will present the Cooperative's beginning fund equity, the total revenues and other financing sources, the total expenditures and other financing uses, prior period adjustments, transfers, and the ending fund equity for each fund for the fiscal year being reviewed.
Schedule C -	This schedule will present findings and recommendations resulting from performing the agreed-upon procedures specified in this Appendix.